

BUSINESS DEMOGRAPHY IN SPAIN: DETERMINANTS OF FIRM SURVIVAL

Paloma Lopez-Garcia

paloma.lopez-garcia@bde.es

Sergio Puente

sergio.puente@bde.es

Address and affiliation:

Banco de España (Central Bank of Spain)
Research Department
Alcala 48
28014 Madrid, Spain

Abstract:

The current paper uses a new database including firms created between 1995 and 2002 across all sectors of the business economy to study the determinants of new firm survival in Spain. We find that larger start-ups survive longer and that the probability of exit is larger in sectors with high entry rates and low concentration. One of the contributions of the paper is the inclusion of the initial firm's financial structure among the determinants of survival. Our results suggest that holding debt, instead of equity, has positive and important effects on survival up to some point. Beyond this point, further debt increments have a negative impact on survival, and this effect is more important the higher is the corresponding debt ratio or indebtedness of the firm.

JEL classification: G33, L11, L25, M13

Keywords: Firm survival, entry and exit, micro-data, financial structure